



1919



Economic Conditions Governmental Finance United States Securities

NEW YORK, MARCH, 1919.

General Business Conditions.

THE general feeling about the outlook for business this year is at least as good as it was a month ago and on the whole probably better. This is encouraging, because at that time pessimistic sentiment was increasing, and the idea was prevalent that price reductions were to be the order of the day and that unemployment would increase rapidly. Neither of these predictions has been verified, and a good many people who were expecting their verification are not so certain about it now. There have been declines during the month and more declines than advances, but the declines have been orderly and accomplished in a manner which has contributed to confidence rather than to demoralization, and there have been developments giving strength to the situation. Enterprise still hesitates, but the volume of retail trade is large, which means that the consumption of staple goods is at a high rate. The steel mills are still working at a pace which before the war would have been close to their capacity, and although new orders are not coming fast enough to cover production they are in fair volume. There is talk of further price reductions and some will probably be made in time to stimulate spring business.

In textiles the mills are running on part time and orders are light, but retailers and jobbers are working down their stocks, and the situation as a whole looks stronger than it did a month ago. There have been further moderate reductions in cotton goods, which now perhaps average 35 per cent. below the high level. In woollens the leading producer has opened the lines which will be offered at retail next fall upon a basis 15 per cent. below the opening a year ago for last fall's retail trade, and 35 per cent. below the high level of last year. These figures inspire confidence.

What is required is more confidence that the bottom has been reached in price reductions for the present and this confidence seems to be growing. In textiles goods are down to the present basis of costs, and manufacturers are willing to do business without profit for the sake of keeping their organizations intact.

There does not seem to be any good reason for expecting further declines before living costs are reduced and this is not likely until after another crop of food stuffs has been marketed. The situation in food stuffs is stronger than a month ago. Butter has recovered 10 to 12 cents per pound in February. The foreign demand for meats is enormous and will be larger as soon as Germany has arranged credits which will allow purchases to be made.

Building permits in cities reporting to Bradstreets showed a gain in January, and there is more talk than heretofore that construction must go ahead in spite of high costs. The Governors of all states have been invited to meet at the White House to confer upon a concerted plan for promoting public improvements and especially road work. Although unemployment has been increasing it is not excessive for this season of the year, or extraordinary under the circumstances. It is largely in the cities where war work has been discontinued to which men have been attracted from farms and rural communities. The number of men out of work can be readily absorbed by the farms and other outdoor industries when spring opens up.

Banking Conditions.

The money market in New York has turned firmer, an inevitable reflection of the approaching Federal tax-payments, the first of which must be made on March 15, and the Victory Loan campaign which will come a little more than a month later. In the last half of February the stock market showed symptoms of hopefulness, sales increasing with a moderate advance of prices, and the call money rate stiffened, touching 7 per cent. on one day. For the last four days of this month the range was $5\frac{1}{2}$ to 6, with the bulk of the loans at $5\frac{1}{2}$ per cent. Time money on collateral moved up to $5\frac{1}{2}$ and commercial paper is about the same.

No great change has taken place in the condition of the reserve banks in the first two months of 1919. We give below the figures for the principal items in the consolidated statement, as of February 21, December 27 and October 25, the

last date being the next one following the close of subscriptions to the Fourth Liberty Loan:

	Feb. 21	Dec. 27	Oct. 25
Cash reserve	\$2,191,532,000	\$2,146,219,000	\$2,098,169,000
Bills discounted:			
Secured by Gov't obligations ...	1,596,458,000	1,400,371,000	1,092,417,000
Other security...	221,996,000	302,567,000	453,747,000
Bills bought in open market ...	269,920,000	303,673,000	398,623,000
Total bills disc'd.	2,088,374,000	2,006,611,000	1,944,787,000
Gov't long term securities	28,095,000	28,869,000	28,251,000
Gov't short term securities	147,123,000	282,677,000	322,060,000
Other earn'g assets	4,000,000	13,000,000	24,000,000
Total earn'g assets	2,263,596,000	2,318,170,000	2,295,122,000
Gov't deposits ...	205,675,000	63,367,000	78,218,000
Due members, reserve acct.	1,563,912,000	1,587,318,000	1,683,499,000
F. R. notes in circulation	2,466,248,000	2,685,244,000	2,507,912,000
F. R. bank notes in circulation	133,465,000	117,122,000	58,859,000
Percentage of total reserve to deposit and note liability	52.2	50.6	49.6

The total of bills discounted is larger at the last date than at either of the others, but the increase is all in bills secured by Government obligations, and represents rediscounting by members for the purpose of taking up their quota of Treasury certificates. The fifth and sixth offerings of these certificates were closed during February, and the total of these issues in anticipation of the Victory Liberty Loan is now \$3,845,678,000. The absorption of this amount of Treasury obligations must be taken into account in considering changes in the condition of the banks. Since October 25 the principal payments upon the Fourth Liberty Loan have been made and the above amount of Treasury certificates taken up, besides a considerable amount of Treasury certificates which are receivable for taxes, the amount of which has not been announced. Notwithstanding these great demands the aggregate loans and investments of the reserve banks are less than on October 25, 1918.

Condition of Member Banks.

The member banks reporting to the Federal Reserve Board have made the following showing for the dates given:

	Feb. 14, '19	Dec. 27, '18	Oct. 25, '18
U. S. bonds to secure circulation.	\$263,111,000	\$268,185,000	\$267,510,000
Other U. S. bonds	723,202,000	833,985,000	1,018,439,000
U. S. certificates of indebtedness.	1,742,093,000	953,550,000	949,431,000
Total U. S. securities	2,728,406,000	2,055,720,000	2,235,380,000
Loans secured by U. S. securities.	1,169,966,000	1,269,409,000	1,165,738,000
Other loans and investments	10,068,695,000	10,334,266,000	10,635,191,000

It will be seen that although the bank holdings of Treasury certificates have increased, the holdings of other loans and investments have decreased since October by over \$500,000,000, and that in the aggregate the amount of bank credit employed is now slightly below what it was at that time, notwithstanding the immense payments into the Treasury in the meantime. The payments have been accomplished by the circulation of credit, the Treasury receipts when disbursed cancelling enough indebtedness to off-

set the new borrowing. If now the transition could be made from war industry to peace industry without slackening production or earnings, it is evident that as soon as the Government's war bills were paid the country would have a great stream of new capital pouring into the general investment market and distributed out again into new enterprises for the enlargement of production and the improvement of living conditions. Unfortunately, the transition cannot be accomplished with the unity and energy which characterize war operations, hence we already see a falling off in the earnings of industry which nullifies to a great extent the gains which might be expected to accrue from the cessation of war waste. The Government expenditures will decline, but the loans and taxes which are yet to be met will bear heavily, because earnings will be reduced. It should be understood that this reduction of earnings, and any period of hard times which ensues, is not the result of the war in any other sense than that the war has disorganized industry for the time being. There is just as much work to be done as ever—more pressing need for it than ever—but the world has been thrown into such disorder and confusion, that industry is interfered with, the production of wealth is reduced and everybody must suffer while this state of affairs continues.

Middle West Loans are Lower.

Four of the Federal reserve banks showed a reduction of discounts from October 25th to February 21st, and eight showed an increase. The reductions were in the middle west, with the exception of Atlanta, and the most notable case was that of the Chicago bank. The figures for all the banks at the two dates were as follows:

	Feb. 21, 1919	Oct. 25, 1918
Boston	\$158,022,000	\$145,124,000
New York	795,680,000	722,973,000
Philadelphia	191,644,000	122,261,000
Cleveland	164,197,000	137,661,000
Richmond	103,042,000	69,536,000
Atlanta	83,185,000	87,242,000
Chicago	206,071,000	274,955,000
St. Louis	71,594,000	77,457,000
Minneapolis	51,016,000	42,185,000
Kansas City	81,178,000	87,422,000
Dallas	52,718,000	48,077,000
San Francisco	130,027,000	129,874,000
	\$2,088,374,000	\$1,944,787,000

The Federal reserve banks gained \$93,363,000 in reserve money from October 25 to February 21, and the amount of Federal reserve notes in circulation diminished by \$218,996,000. Against this reduction of currency in circulation there was an increase of \$16,343,000 in Federal reserve bank notes, issued to take the place of silver dollars melted for export. The mutual savings banks of New York City gained \$75,103,642 in deposits between November 1 and January 20, most of it hoarded money.

It is a notable fact that notwithstanding the opportunities for investing savings in government obligations at higher rates of interest,

deposits in the British postal savings banks grew faster during the war than in any previous period of the same length. In fact in the five years 1914-19 the combined increase in the Post Office and Trustee savings banks—the two systems in use in Great Britain—was \$265,000,000 against an increase in the ten years 1904-14 of only \$215,000,000. The postal savings banks pay 2½ per cent.

The Victory Liberty Loan.

The next loan, which is expected to be the last of the big war loans, will be offered, if the pending bill passes, in the form of United States notes, running not less than one year nor more than five years, the terms of which in other respects will be largely fixed by the Secretary of the Treasury in his discretion. The total amount of notes authorized is \$7,000,000,000. The time of offerings, amount in any series, maturity within the above limitations, and interest rates, will be determined by the Secretary, but any series may be redeemable before maturity (at the option of the United States) in whole or in part, upon not more than one year or less than four months' notice.

The feature of the offering will be the variety of choice afforded the public as regards exemption from taxation. There will be an opportunity for the individual of large income to buy notes similar in this respect to the First Liberty bonds, which were completely exempt except as to inheritance or death taxes, and there will be opportunity for the individual who does not value exemption from the surtaxes or excess-profits taxes to buy notes which are subject to these but exempt from the normal income tax. Interest rates will vary with these exemptions, and the subscriber will pay his money and take his choice. Secretary Glass argues that with the great amount of municipal securities and Federal Land Bank bonds, all exempt from Federal taxation, now offering, the Federal Government itself should offer something to the class of buyers who seek tax-exempt securities.

The four classes defined in the law are briefly described as follows:

1. Exempt, both as to principal and interest, from all taxation, except inheritance or estate taxes, now or hereafter imposed by the United States, State or City.
2. Exempt, except estate or inheritance taxes, and graduated income, known as surtaxes, and excess and war profits.
3. Exempt from graduated income taxes, excess profits and war profits, when holdings do not exceed \$30,000.
4. Exempt both as to principal and interest from all the above taxes, except inheritance taxes and all incomes, excess profits, and war profits, upon the incomes or profits of individuals, partnerships or corporations.

The bill also extends the policy adopted in the act authorizing the Fourth Liberty

Loan, by increasing the exemptions upon bonds of the earlier loans, with limits as follows:

Bonds absolutely tax free in addition to the 3½ per cent. First Liberty Bonds, \$5,000.

Fourth Liberty Bonds, tax free until two years after the termination of the war, \$30,000.

First Liberty Bonds, converted; Second Liberty Bonds, converted or unconverted; and Third Liberty Bonds, until two years after the termination of the present war, \$45,000.

First Liberty Bonds, converted; Second Liberty Bonds, converted or unconverted; Third and Fourth Liberty Bonds, until five years after the termination of the present war, \$30,000.

First Liberty Bonds, converted; Second Liberty Bonds, converted or unconverted; Third and Fourth Liberty Bonds, so long as the owner holds \$6,667 of notes originally subscribed for by him, \$20,000.

The bill also reopens the conversion privilege on the First and Second Liberty 4's into First and Second Liberty Converted 4½'s upon terms to be hereafter prescribed by the Secretary of the Treasury.

These provisions offer an inducement to holders of previous issues to subscribe for the notes, and are calculated to improve the market position of the old issues.

A cumulative sinking fund of 2½ per cent. is created to become operative July 1, 1920, at which time, approximately, the present 5 per cent. sinking fund purchases will expire.

Credits to Foreign Governments.

The bill grants rather restricted powers to the Secretary of the Treasury to extend additional credits to foreign governments, until the expiration of eighteen months from the end of the war, as fixed by the proclamation of the President. The credits, which must have the approval of the President, may be "for the purpose only of providing for purchases of any property owned directly or indirectly by the United States, not needed by the United States, or for any wheat, the price of which has been or may be guaranteed by the United States."

The total amount of credits which may be granted remains as under the former act, \$10,000,000,000, of which approximately \$8,500,000,000 has been exhausted. These credits shall bear interest at not less than 5 per cent. and be payable not later than October 15, 1938. The obligations of foreign governments acquired under the provisions of the First Liberty Loan will mature not later than June 15 1947. These maturity dates correspond with the maturities of the United States bonds issued to raise the funds which were loaned to the foreign governments. It is understood that the temporary obligations which have been received by the United States Treasury for these advances bear interest at 5 per cent., and the bonds will bear the same rate.

For the purpose of giving aid in the exportation of American products in the present state of the exchanges, the bill proposes to enlarge

the powers of the War Finance Corporation, by authorizing it to loan in the aggregate not exceeding \$1,000,000,000 to persons, firms, corporations, or associations engaged in such exportation or to banks or trust companies which lend for such purpose. The loans in each case must be limited to the contract price of goods so exported, including insurance and transportation charges to the foreign destination, or in the case of banks to its actual advances for such purpose. These loans may run for not exceeding five years from the date of the advances.

As only a few days remain in which the present Congress may do its work, it is evident that this measure cannot pass except by general consent, and defeat will mean that an extra session of the new Congress must be called.

Credits for Foreign Trade.

The figures for foreign trade in January are very gratifying, but they show the necessity for the United States to exert itself in some way to aid foreign buyers in effecting payments. Exports from this country amounted to \$623,000,000 with imports of only \$213,000,000, leaving a balance in our favor of \$410,000,000. Exports were the highest of any month on record, and the balance was also the largest on record. It will be recognized by anyone who understands the fundamental conditions of trade that balances like this are impossible as a normal and regular thing. A year's trade on that basis would create an aggregate balance of nearly \$5,000,000,000. There would be no real advantage to the creditor country in such a one-sided trade as a regular and permanent state of affairs. Trade is for the purpose of getting something that ministers to the welfare and comfort of the producers, either directly by obtaining goods of common consumption or by obtaining something that will be of service to them in production or as a reserve in the future. There is no gain in piling up foreign balances which can never be brought to this country, and the income from which can never be brought here. Moreover it is impossible to pile up such balances because nobody here will buy them. The business men who are eager now to sell their goods in Belgium and France would not be eager to do so if they did not expect to receive pay for them within a reasonably short time, but nothing is more certain than that they cannot be paid unless credits are created in this country against which the French and Belgian buyers may draw.

The trade balance in favor of the United States in the month of January exceeds in value the total production of gold in the world last year outside of this country; so of course such balances will not be paid in gold. How then, will they be paid? It is a pressing ques-

tion, for while it is both impossible and undesirable to have such trade balances permanently, it is from every standpoint desirable that our exports shall be as large as we can make them until Europe has recovered her normal productive capacity, and industry in this country has recovered its balance.

There are still some American securities in Europe, but the holders who have hung on until now are probably intending to keep them. The general state of society in Europe is not such as to encourage the transfer of investments from this country to that continent. Aside from the sale of those remaining American securities there is no way of creating credits here except by selling European securities in this market, or borrowing direct of individuals or banks. How long will the facilities for making payment last with the trade balance running at \$410,000,000 per month, not to speak of the interest payments now running on foreign government loans? There is no provision in the bill for loans to cover accruing interest, and presumably loans will be floated on the public market here for that purpose.

Not a Question of Solvency But of Facilities.

It will be seen that this problem does not involve the solvency of these foreign countries, or of the individuals who would like to make purchases in the United States. No matter what an individual's wealth may be in lands or property located in Europe, how can he make payments in the United States? He can only offer to pay in the future, when it has become possible to transfer some form of wealth to the United States, but this is an offer of promises and securities, and how can these be handled here to maintain this trade? Even the \$1,000,000,000 of credit which the pending bill would allow the War Finance Corporation to issue, would cover only two and one-half months of such trade balances as this in January.

It is true that there are some offsets which cannot be closely calculated, such as shipping charges, insurance premiums, personal remittances, and expenditures of American travelers. We are building our own ships to reduce the shipping charges. American travelers will probably crowd the passenger ships to their capacity as soon as restrictions are removed, and will be an important factor in the situation, but with every possible allowance it is difficult to see how the account can be balanced. Our people have been eagerly speculating upon Europe's inclination to buy, but the actually limiting factor is the means of making payment.

Under existing circumstances it seems quite out of place to complain if foreign countries take steps to bring importations from this country under control, as Great Britain has recently done in small degree by an official embargo, directed not at us but at certain specified articles. When the United States Government ceases to make loans to Great Britain, France, Belgium and Italy,

their only means of stabilizing the exchanges will be by loans on this public market, and who knows to what extent the public market will supply their needs? And if we do not know, how can we blame them for having misgivings on the subject. It cannot be regarded strange if they wish to control what they regard as unnecessary purchases in order to save their available credit for the necessities which they know they must obtain here.

A Credit to Belgium.

The first public flotation for the purpose of creating a foreign credit has been handled by four New York banking institutions, to-wit: The Guaranty Trust Company, J. P. Morgan & Co., National Bank of Commerce and National City Bank of New York, these institutions acting as syndicate managers. The flotation is in the form of acceptances, aggregating in amount \$50,000,000, the drafts being drawn by the National Bank of Belgium, acting for a consortium which comprises about seventy of the leading banking institutions of Belgium, on the American banks which participate in the syndicate. The latter banks will accept the drafts which then will be offered on this market. Under the terms of the agreement they must be sold to cost the borrower an interest charge not more than one per cent. in excess of the discount rate of the Federal Reserve Bank of New York upon bankers acceptances. The drafts are drawn for 90 days, with the privilege of three renewals, and the compensation to acceptors is $\frac{1}{4}$ per cent. upon each acceptance, or 1 per cent. if there are three renewals. The Belgian banks participating give their own obligations to cover the credit, accompanied by securities deposited with the National Bank of Belgium.

The terms of the agreement specify that the credit thus established shall be used only to provide funds in America to purchase American supplies for re-establishing industrial operations in Belgium.

It is expected that Belgium will be to a large extent, if not fully, indemnified by Germany for the destruction of her industrial equipment, and that these funds will be available in some form for the payment of these obligations. A similar credit for £4,000,000, or approximately \$20,000,000, has been placed in London.

The \$50,000,000 credit illustrates what is necessary to keep our foreign trade moving, but it would take eight of such transactions to cover the January trade balance if there were no other means of payment.

Labor Troubles.

The labor situation in England is more disturbing than the disorder in Germany and Eastern Europe, as the latter is more or less involved in the political reorganization which is going on there, and we are accustomed to think of social and industrial conditions in England as more

like such conditions here than in the case of the continental countries. Even the proceedings of the Peace Conference take second place in vital importance to the question whether the labor organizations of Great Britain will paralyze the industries of that country by their extreme demands. Whether the Peace Conference does its work wisely or poorly there is good reason to believe that at least there will be no more war for some years, and if the industries everywhere are quickly revived, so that the people will have earnings wherewith to buy the goods they need, and the supply of goods is forthcoming at normal prices again, the present emergency will be over, and there will be time then to plan for the future. Sensible people realize that the present emergency is a very serious one. Living costs are very high, great distress must result from a general state of unemployment, and the task of demobilizing the armies and of transferring workers from war work to peace work in such manner as to avoid unemployment is very difficult at best. An attempt to introduce a revolutionary industrial program at this time would mean, if supported in force, the reduction of society to a state of complete helplessness. In these modern times all branches of industry are interlocked and the industries of all countries are inter-related to such an extent that revolutionary changes, fixed to take effect by the calendar and the clock, are impossible. Changes must be accomplished gradually, of necessity, or they will dislocate the industrial organization in a thousand places. Industry is halting everywhere now, thousands of workmen are on short time and thousands more have no work, merely because prices are undergoing the natural and inevitable changes incidental to the ending of the war. This makes trouble enough for the moment, but this condition will clear itself in a comparatively short time, provided new and incalculable factors are not introduced. Attempts to revolutionize industry by putting it in charge of government officials, or by impossible additions to the cost of essential services, or by strikes to cut off such necessary supplies as coal and transportation service, are bound of course to greatly complicate present difficulties and delay recovery to the normal conditions under which it is possible to plan intelligently for social advancement.

The British Situation.

The acute situation which has developed in Great Britain seems to be the result of many causes. Trade unionism had been strong there for a long time before the war, and had established many rules which were restrictive upon production. In fairness to the workmen it should be recognized that these restrictions were significant of the prevalent dread of unemployment as well as of antagonisms born of bitter industrial struggles. Men of all classes are governed by what they believe, whether that be true or false, and British workmen have believed in

the past that high-speed production paid the employers but did not pay them, and that it tended to produce unemployment.

When the war broke out and it was necessary not only to recruit great numbers of workmen for the armies but at the same time greatly increase the output of some of the principal industries, these restrictive regulations were a serious obstacle to the efficiency of the individual worker, and the Government sought to have them temporarily waived. By appealing to the patriotism of the men this was accomplished, upon the condition that they should all be restored after the war. It was no time then to argue the economic principle involved; that was left to the future.

The result of removing these restrictions and of introducing labor-saving machinery was to greatly increase production without in the final arrangements increasing the hours of labor, so that the unit cost of production in many instances was actually reduced while the earnings of workmen were largely increased. The results were so gratifying that the heads of great industries and labor leaders were agreed that industry in England should not go back to the old basis but should be kept upon the basis of higher efficiency and that wages and hours of labor should be adjusted accordingly.

After The Armistice.

After the armistice was signed readjustment proceeded in this spirit, at first quite amicably. The "engineering" trades, which are understood there to include ship-builders, boiler-makers and all workers handling machine tools, quickly reached an agreement upon a 47-hour week, a reduction from 54 hours without loss of pay. The railway employees threatened to strike for an eight-hour day, but the Government, which is operating the roads, conceded the demand, which including previous concessions made during the war was estimated to raise the total wage bill from \$235,000,000 per year before the war to \$635,000,000 per year. Advances were granted in the textile industry and in other trades.

These concessions, however, did not satisfy all factions among the unions. The radical element, which wished for nothing short of revolution, fomented discontent and encouraged rebellion against the union officials who had agreed to these settlements. They exaggerated the profits of employers, and pointed to the enormous expenditures upon the war as evidence that there was no lack of money when the ruling class wanted to raise it, and pointed to the ease with which concessions had been won, as evidence that they had been too easy in their demands in the past.

Then came a new and very influential development, i. e., the return of discharged soldiers looking for their old jobs, at a time when munition orders were being discontinued and new work was not at hand to keep the shops employed. The old fear of unemployment came back, and

the marplots were quick to play upon it. They urged that a reduction of hours was necessary to give work to all, but it must be without loss of pay. The demand for a 44-hour week was set up, eight hours for five days and four hours on Saturday, and this was superseded in some quarters by a demand for a 40-hour week, five days of eight hours, and a full holiday on Saturday.

New Union Leaders.

When the time came in January for putting into effect the 47-hour week in the engineering trades and the eight-hour day on railways, disagreements developed, in the former case over the pay of piece-workers and in the latter case over meal-time. The theory that a man could readily do as much work in 47 hours as in 54 hours was repudiated by the piece-workers. By this time the concessions won were an old story, and a good many of the men were giving ear to the trouble-makers. Sporadic strikes, unauthorized by the regular union officials, broke out and spread to other workmen. In Belfast the street cars and lighting companies were suspended. In London a body of employees of the electrical companies gave notice of a strike, which, however, was not authorized by the responsible officials, and the Government met the threat with an order under the "Defense of the Realm" act, giving notice that any person who stopped work or sought to persuade others to stop work in such manner as to suspend services to the public would be punished according to law. This strike did not come off. A strike of the underground tube employees was adjusted and service resumed.

In most of these cases the regular union leaders, who seem as a general thing to have labored hard to obtain concessions but to keep the demands of the unions within reasonable bounds, were ignored or deliberately flouted. New leaders, in most cases young and rebellious against their seniors, pushed themselves into the front and took charge.

The most serious situation has developed by the action of the coal miners' unions, supported by the railway employees. Here the situation was precipitated by the return of discharged soldiers, who were given their old places by the discharge of employees who had been taken on during the war. At one time there was feeling among the miners against the new men, but that seems to have given way to the feeling of labor-solidarity and the plea that all labor must be provided with employment.

The Coal Miners.

The demands of the miners are as follows:

- (1) Full wages from State funds for miners released from the Army but not absorbed in the mines, and for men displaced from the mines to make room for ex-soldiers;

(2) The amendment of the Eight Hours Act by the substitution of six working hours for eight; and

(3) A 30 per cent. advance on present earnings, other than war wages, the war wages to be continued.

The unions voted six to one in favor of quitting work on March 15, if these demands were not conceded, and the railway employees have agreed to support them.

The Prime Minister, Mr. Lloyd George, has moved in the House of Commons for the creation of a Committee of Inquiry, which will be appointed and is expected to report by the end of March, and it is believed that the miners will defer action until the report is made.

It is manifest that such a change in the conditions of coal production would add largely to the cost, and thus greatly increase manufacturing costs in England and work to the disadvantage of all its industries in world trade. Those industries furnish employment to the great body of English wage-earners, and whatever effects the industries unfavorably must effect the workers in the same manner. There would be a similar effect upon British shipping and upon the export trade in coal, which the country relies upon largely to pay for its imports of food and raw materials.

Competitive Conditions.

Mr. Lloyd George, in his remarks upon moving the committee, said that the cost of coal at the pit-mouth in England was about seventeen shillings as against eleven shillings in the United States, and that these demands if granted would raise the cost to about twenty-seven shillings, or approximately \$6.75 per ton. He said that the profits of coal operators throughout the country for the five years before the war averaged a shilling per ton, and the royalties were a six-pence per ton, so that if profits and royalties were entirely wiped out a very large increase in the price of coal would be required if the demands were to be met.

The industrial leaders of the country regard the situation as one in which the very life of British industry is involved. The burden of supporting an unnecessary number of men on the mine rolls, the higher cost of coal, would react upon British production and British trade, reduce employment everywhere, and increase the cost of every service and article of consumption. And the alternative threatened is a strike which would compel a general suspension of industry throughout the country, or possibly a compromise, which at best would add to the difficulties that attend upon the period of reorganization.

A great convention of representatives of employers and wage-earners was called by the Government and held in London on February 27, at which a commission of thirty representatives of the employers and thirty representatives of the labor organizations, with due representation for

the Government, was created to consider the situation. It is thought that this opens the way to a working agreement.

The Seattle Strike.

A deliberately planned attempt to overthrow civil government and establish the Russian Soviet methods in control in this country was made in Seattle, and proved a failure. The mayor of the city, Ole Hanson, a courageous American of Norwegian parentage, declined to abdicate his functions, and although the public services were partially out of commission for a day, public sentiment rallied to his support so heartily that the attempt at social revolution was quickly abandoned.

The original issue was over wages in the ship-building plants. They were fixed last summer by a Government board, and it is a well-known fact that wages in shipyards were fixed on a high level for the purpose of drawing labor from all over the country, at a time when the speedy construction of our ocean fleet was thought to be vital to winning the war. The cost of the ships now under construction is known to be far above any value that can be possibly realized by sale, or upon which a normal return can be earned from operations. It is conceded that at least one billion dollars will have to be written off and charged to the war in order to bring the value of the fleet down to figures upon which earnings may be calculated. Now that the war is over common-sense would seem to dictate that these ships should not be made unnecessarily costly, but that labor upon them, being paid by taxation upon the whole community, should have pay corresponding to that received for similar labor in private employment. It should ask no more in this time of heavy burdens, and receive no less. The wage-earners who have good pay and steady work ahead of them throughout this year are fortunately situated, and as a patriotic duty to the country should give their influence for the restoration of normal conditions, in order that there may be work for all.

Impossible Expectations.

The extravagant demands which are being made throughout industry at this most inopportune time are due for the most part to vague assurances which have been freely held out by writers and orators who with little knowledge of business affairs themselves have been moved by generous sentiments to promise that a new heaven and new earth would be realized after the war. They don't know how industry is to be revolutionized, so that the wage-earner will receive a much larger share of the product, but they have been sure that it would be done somehow, because, they say it "must be." But nothing must be, or will be, unless somebody knows how to accomplish it. As a rule the parties who are so sure that things will be very different in the future, know very

little about the problems of the business world, and have never had the responsibility of meeting a pay-roll, managing an industry or marketing the product of a group of workers. They don't know how hard a task it has always been to make a business pay a margin above the costs of operation, and how few, comparatively, succeed in doing it.

The Federal Trade Commission made an inquiry upon this subject several years ago, confined to corporations, and reported that most of the corporations doing business in this country were not making even a fair profit. How are the employers of this class going to radically increase wages and bear the cost out of their own profits?

Varying Conditions.

In every line of industry there are establishments of varying profits, from those most advantageously situated and most capably managed, down to those which scarcely have any profits, and below these to yet others which are wasting their capital and probably will have to close down. The scene is constantly changing, with concerns that have been leaders yielding place to younger and more vigorous rivals. Nobody has a secure and guaranteed place in the business world. Energy, new ideas, enterprise, are always bringing new competitors to the front. Profits are an uncertain, elusive quantity which one man has today and another man tomorrow. Profits are not made by increasing prices but by reducing costs; not by having higher prices than competitors but by being able to sell below them or sell more goods at the same prices.

In lines in which no radical changes in methods have occurred recently, profits are generally small. Large profits are made where there have been new developments in product or processes, which have not been fully introduced, but taking industry as a whole a very large part of it is in the hands of proprietors who are operating on very moderate margins of profit. These people cannot be compelled to absorb large wage increases by reducing their profits, for it is impossible for them to do so, nor can they be suddenly forced out of business in favor of more economically-managed rivals. The latter alternative is indeed a remedy which is always working more or less effectually, but it takes time and our public policies retard rather than favor it.

The business organization and business methods of a country cannot be changed at once; it must be accomplished by a gradual process of adjustment and evolution. An attempt to revolutionize industry by the edict of any authority must result in halting all the processes of production and exchange upon which the whole community depends for its livelihood, with incalculable loss and suffering as the result. Whatever alterations are desired in the machine must

be made in such manner that its efficiency in serving the daily wants of the community is never impaired, but day by day improved.

Lessons from the War Period.

It is true that the experiences of industry during the war have yielded lessons which all thoughtful people wish to take into account. Notwithstanding glaring instances of wasteful methods and inefficient service it cannot be questioned that in this country, in England and other countries where industry was under great pressure, the aggregate industrial output was largely increased, despite the withdrawal of men to the military and naval forces. This result was accomplished by the more complete employment of the people, the wholesale introduction of women into industry and business, a greater centralization of industrial management and, lastly, by greater unity of spirit and zest in accomplishment.

Governments in Industry.

While there is much to be learned from this, it would be a great mistake to assume that any proof is afforded in favor of permanent government control or management of industry. Those who have been nearest to government management draw the opposite conclusion. They have seen enough of it. But taking the most favorable view of it, there is no reason for thinking that what was justified temporarily under war conditions, and with the volunteer aid of scores of experienced men of affairs, giving their services gratis, could be done successfully under ordinary conditions and as a permanent policy. No such degree of co-operation could be had from the public except under unusual conditions. A general system of non-competitive industry centered in the government, even if highly efficient for a short time, would soon become inefficient because it would become unprogressive. The resources upon which it could draw for new ideas would be too limited. A few men at the top cannot do the thinking for an entire people. There must be favorable conditions for the incubation of ideas in the body of the people. An efficiency which does not afford such conditions is not a lasting kind of efficiency; it is a stereotyped efficiency. The most important consideration at any time is not the achievement of a mechanical kind of efficiency, which will repeat a given operation with the greatest possible rapidity and certainty, but an efficiency which will find new and better ways of accomplishing desired results. That is wherein private management and the competitive system is superior to government management.

How Progress May be Achieved.

Mr. J. R. Clynes, one of the recognized Labor leaders of England, who left the last Cabinet, in which he held the position of Food

Administrator, because he felt that during the election campaign he must support the Labor Party candidates rather than the Coalition candidates, made a speech before the American Luncheon Club in London recently in which, while deprecating but excusing the radical demands of the Labor organizations he stated his own views of how social progress was to be achieved. The report says:

While he agreed that there were specially arduous trades, where the mental and physical strain was very serious, he agreed that, in the main, there was a tendency amongst trade unionists to make demands, and to press them, which the trades could not very well afford to meet, and which the country, he feared, would not for some time to come be able to bear. He said this because we had lost so much wealth, and got into such a state of dis-repair during the period of the war, that all the energy that we could bring into industry was required for the purpose of enormously increasing the output of our products, and thereby adding immensely to the aggregate wealth of this and other countries. That great increase in production could take place, he was convinced, without any injustice to the masses of workmen, without the application of any tyrannical instrument on the part of employers; it could take place by men making a more successful use of the thing that he could conquer and control—the machine. It could come by better arrangements; by a more successful sub-division of work; by overthrowing those old trade customs and conditions which belonged to the past, and which should be left to the past; by accepting and welcoming the higher and better forms of management that the modern-minded and more capable business men could apply to their interests. In short, it could come by organization and skill.

This is the rational and practical view. The entire industrial organization, including capitalists, managers, workmen, traders, transporters, warehousemen, bankers, brokers, the professional classes, and all who contribute to the efficiency of the productive forces or minister to the comfort of the population, should be regarded as working for the common welfare. Every one who makes a contribution to that purpose has rightfully a place in the organization, and no occupation which does not so contribute can be regarded as legitimate. The problem always is to raise the efficiency of the organization; to eliminate waste, lost motion and superfluous charges; to find the most effective methods of production, and the simplest methods of distribution; to create the highest degree of confidence and harmony between all members of the organization, in order that they may work with the greatest possible zeal and efficiency for the common cause. This is the way of real progress.

A Cooperative Society.

There is no proper understanding of the fact that society is already essentially cooperative. The division of labor into trades and occupations means that the community is organized to supply its wants by an exchange of services. The fact that individuals see their own immediate interests first, and are so intent upon these that they do not see the mutual interests, or see how their own interests are linked up with the interests of

others, does not affect the principle of cooperation underlying the whole situation. Cooperation is as intimate and effective as the understanding of individuals permits it to be. It is a practical cooperation, corresponding to the individual will and intelligence, and developing, with the best results for each class attained by the balanced and harmonious progress and development of the entire organization.

Improvements in agriculture and the growth of intelligence and efficiency in agricultural workers, are beneficial to all consumers of agricultural products, and so improvements in transportation methods and in the earnings of transportation workers are beneficial to those engaged in manufacturing; and conversely, whatever impairs the efficiency or the earnings of the workers in any branch of the great industrial organization reacts unfavorably upon all branches. Real gains are not made at the expense of each other, but together with all others. There is a normal balance and relationship in the number of workers in the various occupations, and also in the pay which they receive, which in all cases comes finally from each other, and these relations are best adjusted by freedom in competitive effort and the free movement of individuals between the occupations.

The Principle of Democracy.

The principle of democracy is involved in this freedom of movement from one occupation to another, in the normal adjustment of relative conditions and compensation, and generally in the maintenance of equality and justice between the occupations. It is not consistent with democracy that the workers in one industry, as coal-mining or railroading, in which the conditions may be favorable to a sudden exercise of power, shall secure by arbitrary action advantages for themselves over the workers in all other industries. That is the same unwarranted exercise of power which every privileged class has been charged with in the past. It is not right, it is not democratic, and although it may for a time seem to win advantages to a group, it will not pay even the successful group in the long run, because it violates the principle of free, orderly, uniform, cooperative development which best promotes the common progress.

To suddenly cut off the coal supplies or the transportation service of a country, without submitting the reasons or grievances which prompt such action to an impartial tribunal, is an attack upon society. It can never be admitted as a principle that the group of people in any industry shall have the unrestricted right of fixing their own compensation and compelling the rest of the community to pay it. This is not a question between rich and poor, or between employers and wage-earners, but between groups which include all classes. When the supply of coal is shut off, all classes must go without, and it is a certainty that the rich are a small minority among those

who suffer. When transportation is paralyzed and industries are forced to close the results are more serious to wage-earners than to any others.

Nobody questions that the labor organizations have it in their power to do a vast amount of mischief. The industrial organization has become highly interdependent, as a means of promoting the common good, and this interdependence makes it possible for a comparatively small group to cause a wide disturbance, but the injuries inflicted are borne by the entire community, including the perpetrators.

The Way of Orderly Progress.

If it is said that there are evils in society which ought to be remedied, the answer is that there is nothing remedial or constructive in a threat to paralyze all industry. If anybody knows how all of the evils of society, or any of them, can be remedied, let him preach his remedy until he converts a constitutional majority of the voters to its support, when it will go into operation. He has no right to have it in operation until then.

The great struggle of the past has been to make men equal before the law and in the making of laws. That has been achieved. Ole Hanson and the full city government of Seattle were chosen in a free election in which every man and woman living in that city had the right to vote on an equality. Is there any better way of establishing authority than that? The revolutionaries undertook to depose this government and set up one representing only a limited part of the population. Certainly that is not democracy, and the world will hardly go backward to that principle of government.

The Railroad Orders.

The head of one of the railroad brotherhoods before the Senate Committee considering the railroad problem was asked if in case the railroads were taken over permanently by the Government the employees would expect to exercise the privilege of striking to enforce their demands. He very positively declared that the right to strike—quit in a body—would never be restricted.

He submitted his own proposal for the permanent disposition of the railroads. It was that the Government should buy them, and turn them over to the railroad brotherhoods to run on a fifty-fifty division of the profits, after the brotherhoods had first received their pay.

There seems to be no reason why this arrangement, together with the strike privilege, should not be satisfactory to the brotherhoods, but ought there not to be some stipulation under which other people could take turns at being railroad employees? Or would the privilege of being a railroad employe be hereditary and descend to the oldest son? Just how would this arrangement express democracy to the farmer, or the common brother rustling for a living in the open, outside the "brotherhoods"?

There is no better body of men in the country than the railroad men, but do they really want the "upper hand" in this manner? If the world is to be made safe for democracy all men must give up the idea of coercing others, of being judge, jury and sheriff in causes in which they are themselves a party.

The Problem of Unemployment.

So far as the action of the British coal miners is prompted by a desire to provide temporary employment during the period of industrial adjustment, it is entitled to careful and sympathetic attention. Sufficient attention has not been given in the past either to the suffering directly resulting from periods of unemployment or to the loss of wealth and business by the whole community. It is indeed a large and difficult task to undertake to stabilize industry against all the shifting influences which play upon it, but not only humane considerations, but every-day business considerations call for efforts to be made. There is an enormous loss of productive energy in a period of business depression, and any degree of salvage would help in dealing with the social problem. The living conditions of the people in all countries would be vastly improved if there were better facilities for keeping them employed at all times. It is not enough to say that the energetic will find work, or will lay by savings for dull times. The fact must be recognized that a great many fail to do either, and that society suffers and every-day business suffers in consequence.

Business is interested in increasing the earnings of the people. There is demand upon the industries, trade for the merchants and incomes for all classes in utilizing this idle time. Production and consumption go together. The industries depend for their market upon the buying power of the main body of the people, and whatever contributes to this supports business. The tax-payers who are afraid at this time to have valuable public improvements, like road-building and school-house constructions go ahead, because costs are higher than usual, do not realize the economic truth that it is better to have useful public improvements made even at high cost than to have the labor which enters into them not employed at all. There is a net saving of wealth that would be wholly lost.

Henry Ford says he intends to stop building large factories and scatter small ones among the small towns where he can gather labor from the farms in the dull seasons, shutting down the factories for several months in summer. He thinks the men will come back from several months on the farms with so much new energy that they will make good the output lost in the shutdown. That may be a way of taking up the slack in the rural communities, but the problem of averting the waste of idleness in the cities

is deserving of most earnest attention. The economic possibilities to the entire community promise rich rewards for its solution in addition to the relief afforded to the wage-earners.

No Permanent Over-supply of Labor.

On the other hand the theory of shortening the work-day in order to make employment go around, as a permanent policy, is so utterly fallacious and opposed to the interests of the wage-earners themselves, that it cannot be tolerated. It assumes that there is only a limited amount to be done and no possibility of increasing consumption, which is false upon the face of it, for the wage-earners themselves are insisting that they would like to largely increase their consumption. They would all like larger and better homes, and to increase their expenditures in many ways, all of which would require that more work be done by somebody. Satisfaction for the normal and proper ambitions of the wage-earning class means an enormous increase in production. The only requirement is that it shall be a properly balanced production.

The Part of Capital and Management in Industry.

The idea that we have now a cooperative state of society will be challenged on the ground that the division is unequal. There are people who can only think of cooperation as existing with equality in position, authority and division of results. But if people do not contribute equally to produce results why should they share equally in them? If they were to share equally regardless of their contributions the chief incentive to efficiency and development, and the mainspring of progress would be lost. Cooperation is none the less real or mutually helpful because the division is not share and share alike.

It also seems to have become a popular doctrine that private capital and private profits are undesirable factors in production, and hence that private savings and economies are not worthy of encouragement. Management, skill in organization, ability in the direction of a business, although heretofore regarded as of great importance are considered in some quarters as of little value, because it is assumed that under the socialistic state everything will operate automatically. We noted, however, last month Lenine's suggestion that it would pay the Bolshevik State to hire a lot of experienced managers at high salaries. We stated that so far as we were advised the suggestion had not been adopted, but under the date February 3, Robert Minor, a correspondent of the New York World whose personal sympathies had always been socialistic, cabled to that paper an account of an interview with Lenine and of present conditions in Russia in which he said:

Lenine could not afford to tell the whole truth about the entrance of non-Bolsheviks into the Government, for

he must maintain the intransigent front. *The main fact in the new situation is that the so-called nationalization of Russian industry has put insurgent industry back into the hands of the business class, who disguise their activities by giving orders under the magic title of "People's Commissaries."* That is the only title that commands obedience. * * *

The interview was in the Kremlin, ancient seat of the Czars. As I came away two smart limousines drew up and deposited several well dressed men of the business type. This class had been lying very low only a few months ago. They are of the type the Bolshevik creed denounces as "bloodthirsty minions of predatory capital."

There is a difference now. The business types ride in fine automobiles as before, live in fine mansions, and are again managing the old industries, with more authority than ever before. Now they are "People's Commissaries"—servants of the proletariat and the iron discipline of the army under red flags has been developed in order to protect them against all annoyance. A rose smells as sweetly to them under any other name.

Inequalities then have not been banished from Russia by the revolution. Apologists say that this is only until the workers have been educated to a knowledge of how to manage industry by themselves. If this means that inequalities of reward will only exist until inequalities of ability and service have disappeared there is no occasion to dispute it. This is only saying that education is relied upon to sometime bring about what the revolution failed to accomplish. The revolution has not changed human nature or the conditions of successful industry.

Exaggeration of Inequalities.

Much of the misunderstanding of industrial conditions is due to the exaggeration of inequalities in incomes. The real differences in the incomes of individuals are not properly shown by the figures. Charlie Chaplin, the moving picture actor, is said to have an income of over \$1,000,000 per year. Whatever it may be it is given up to him voluntarily and cheerfully by the public in exchange for what he has to give. It is difficult to see why anybody should find fault with the arrangement. But money is only a means of getting something else, and it would be a great mistake to conclude that the movie star gets 1,000 times as much of the comforts and good things of life as any man whose income is \$1,000 per year. The statement in terms of money does not give a correct measurement of actual distribution. Probably only a small part of the movie star's income is spent upon himself, the most of it going into investments, which is not consumption or appropriation to private use. All devoted to investments is returned to the public for its use indefinitely.

Henry Ford's case is the most wonderful example of fortune-making. It illustrates the whole process of accumulation and distribution. No banker, speculator, merchant, mine-owner or other individual in any occupation ever made money so rapidly as Mr. Ford, but what percentage of it has he personally ab-

sorbed in an exclusive sense, by withdrawing it from the common fund of wealth? To what extent has the common supply of food, clothing, house-room, coal, railway service, amusements, recreation, reading matter, educational facilities, medical service, or other desirable goods or services been drawn upon by Mr. Ford for his personal use and pleasure? How much more of these has he had than the average of his employes? To what extent have his wants interfered with the supply available for others?

One view of Mr. Ford's career, looking only at the figures of his personal income, would regard him a leech upon society, but instead of that he has been a great benefactor. What he has withdrawn from the common fund is nothing compared with what he has contributed to it, and that is true of all men who accumulate fortunes in honest business. The ability to organize industry and to contribute new ideas to production is the greatest of wealth-making powers and the greatest agency for the improvement of general conditions.

How much faster would society move forward, and how much better would it be for the average man, if whenever a man with the genius for the direction of industry showed his head above the mass, his surplus earnings should be forthwith taken from him, either by clean sweep or graduated taxation? He demonstrates exceptional ability to use capital for the development of industry; is it better to let him use what he makes by fair methods, and so give play to his faculties, or to hold him down by taking away the tools with which he would work?

Sentiment Favors High-Cost Producers.

We have said that it is impossible to suddenly revolutionize industry so as to greatly increase labor's share in the product, because the bulk of production is now on a small margin of profit to employers. In most instances, if the latter were to forego all profits the amount available for the increase of wages would provide for nothing like a revolution in industry.

There are, however, in many lines, employers who are making larger profits, and there are people who think that these should be the objects of attack. This would not revolutionize industry or help the employes of low-profit firms. Moreover, this presents the same situation described above. The employers who are making profits above the average are the low-cost producers, the leaders of industrial progress. Their profits are higher, not because they pay lower wages, or get higher prices, but because their methods are superior. They are introducing the new processes, they are setting the pace and pattern for the future. They are putting their profits back into the business, enlarging production, drawing to themselves more workmen, probably by offering greater inducements

than their more sluggish rivals. In short, this class of employers will be steadily absorbing business from the high cost producers who are making only small profits, and this process will continue until the latter are eliminated from the field. When this is accomplished prices will go lower and profits will be lower, the industry being then completely established on a lower level of costs. This is industrial progress, and one cycle is not completed before another is begun, because other new leaders will be on hand with new ideas in production or service.

It is undoubtedly to the advantage of the public that the low-cost producers shall take over the business, but public policy does not favor them. Rather it is inclined to hold them down, take away a share of their profits by discriminating taxation, and check their spread over the field. Yet it is through the low-cost producers that industrial progress is made, and only through them can the talked-of revolution in industry be accomplished.

It is impossible to get higher wages from employers who are making little or no profit, except as costs are passed on to consumers, and higher wages which are so passed on do not signify an industrial revolution. They are eventually distributed back upon the wage-earners themselves, with the result that they do not get a higher share of the industrial product than they had before.

The Bond Market.

Bond dealings, as a whole, during the month of February have been characterized by a steady contraction of business, with prices ruling firm, showing a slight advance at the close of the month as compared with the January close.

Second grade rails show an average advance of over three points, compared with prices ruling a year ago, and the combined average of general market issues, excepting Liberty Bonds and Municipals, show an advance of over one point as compared with last year.

Active trading in large volume of Liberty Bonds has characterized Stock Exchange transactions, and new corporate issues have been well received, although the market has not been as spontaneous as in previous months. The larger issues were

\$25,000,000 Swift & Co. 6% Notes.
25,000,000 So. Railway 6% Notes.
16,000,000 Illinois Central 5 1/4 % Bonds.

In addition to the public offerings, \$12,000,000 Kennecott Copper Corporation one year 6% Notes, were reported to have been sold privately at 99 1/2 and interest, to yield about 6.52%.

Municipal bonds have been active during the month with prices shading off, and the new offerings have not met with as prompt a response as was evidenced during January.

Upon the maturity of the United Kingdom of Great Britain & Ireland 5½% bonds, February 1st, there remained \$28,179,000 twenty-year 5½% bonds due 1937 which were not taken by the former holders, and these were disposed of during the month by a syndicate at 101 and interest, to yield about 5.40%.

The combined average of forty active issues as reported by The Wall Street Journal February 27th was 85.56, which compares with 85.47 for January 27th, 1919, and 84.39 for February 27th, 1918.

The following were the more important offerings during the month:

\$12,000,000	Aluminum Company of America 6% Serial Notes due March 1, 1921-23, at prices ranging from par and interest to 99½ and interest.
3,000,000	American Railways Company 7% Notes due February 1, 1922, at 100 and interest, to yield 7%.
5,500,000	Brooklyn Edison Company, Inc., General Mortgage Series "A" 5% Bonds due January 1, 1949, at 91 and interest, to yield about 5¼%.
3,000,000	Carolina Power & Light Co.-Yadkin River Power Co.-Palmetto Power & Light Co. First and Joint Mortgage 6% Five Year Bonds due January 1, 1924, at 95½ and interest, yielding over 7%.
1,500,000	Coal Products Mfg. Co. 7% Serial Debentures due February 1, 1921-1935, at prices to yield 7% to 7¼%.
4,000,000	Commonwealth Edison Company (Chicago) First Mortgage 5% Bonds due June 1, 1943, at 93½ and interest, to yield about 5¼%.
4,500,000	Chicago, Rock Island & Pacific Railway Three Year 6% Coll. Trust Notes due February 1, 1922, at 98½ net, to yield over 6.50%.
710,000	Elk Horn Coal Corp. Sinking Fund 6% Conv. Notes due December 1, 1925, at 98½ and interest, to yield over 6¼%.
1,350,000	Erie Lighting Co. First Mtge. 5s due April 1, 1967, at 88 and interest, to yield about 5¼%.
7,500,000	Hocking Valley Railway Five Year 6% Secured Notes due March 1, 1924, at 98½ and interest, to yield 6.40%.
16,000,000	Illinois Central 5½% Secured Bonds due January 1, 1934, at 97½ and interest, to yield about 5¼%.
3,000,000	Maine Central Railroad First & Refunding 5s due December 1, 1935, at 94½ and interest, to yield 5.50%.
7,300,000	Montreal Tramways & Power Co., Ltd., Five Year 6½% Secured Bonds due March 1, 1924, at 100 and interest, to yield 6¼%.
10,000,000	Philadelphia Company Three Year 6% Secured Notes due February 1, 1922, at 96½ and interest, to yield over 7.30%.
1,500,000	Philadelphia Electric Co. (of Philadelphia) First Mortgage Sinking Fund 5% Bonds due October 1, 1966, at 94 and interest, to yield 5.35%.
12,500,000	Public Service Corp. of New Jersey Three Year Secured Convertible 7% Notes due March 1, 1922, at 98½ and interest, to yield over 7.55%.
4,000,000	Riordan Pulp & Paper Co., Ltd., Ten Year 6% General Mortgage Bonds due January 1, 1929, at 96 and interest, to yield about 6.55%.
7,200,000	Reading Co. Equipment Trust 4½% Certificates Series "G" due semi-annually, from July 1, 1919, to January, 1927, at prices to yield 5½%.
3,000,000	Sperry Flour First Mortgage 6% Sinking Fund Bonds due February 1, 1934, at 98 and interest, to yield 6.20%.
25,000,000	Southern Railway Three Year 6% Notes due March 1, 1922, at 99½ and interest, yielding slightly over 6¼%.
25,000,000	Swift & Company 2½ Year 6% Notes due August 15, 1921, at 99½ and interest, to yield over 6.20%.
750,000	Troy Laundry Machinery Co., Ltd., 7% Convertible Notes due January 1, 1920-1926, at prices to yield from 7% to 7¼%.
1,000,000	Wisconsin-Minnesota Light & Power Co. One Year 7% Notes, due February 1, 1920, at 99½ and interest, to yield 7.50%.

The following were Municipal offerings:

\$1,150,000	Cuyahoga County, Ohio, 5% Bonds due semi-annually April 1, 1921-1945, at prices to yield 4.60%.
2,500,000	Georgia 4.97% Discount Warrants, February 1, 1920.
1,500,000	Maryland 4½% Bonds due February 15, 1922-1934, at prices to yield 4¼%.
1,016,500	Massachusetts 4¼% Bonds due 1919-1932, sold to yield 4.24%.
1,100,000	Newark, New Jersey 4½% Bonds due February 1, 1921-1959, at prices to yield 4.40%.
2,720,000	North Carolina Two Year 4½% Notes due March 1, 1921, at 100½ and interest, to yield 4.50%.
1,000,000	Province of Ontario, Canada, 4% Bonds due March 1, 1926, at 90½ and interest, to yield about 5¼%.
1,000,000	Tennessee One Year 4% Notes due February 20, 1920, sold at 3.97%.

New Revenue Law.

The new revenue act, estimated to produce \$6,000,000,000 this year, has gone into effect. We give below a brief comparison with the old law.

The new law levies tax under eleven general divisions or classes of taxation. The new law levies tax at one set of rates for 1918 and at lower rates for 1919 and subsequent years, so far as the tax on income is concerned. The lower rates provided by the new law are practically double the rates in effect in 1917.

TAX ON INCOME

For 1917	Revenue Act of 1918	
	For 1918	For 1919 and subsequent years
Income Tax Normal 4%	12%	8%
Surtax 1% to 63%	1% to 65%	Same as in 1918
Rate of surtax stationary after \$2,000,000	\$1,000,000	" " " "
% of surtax on \$1,000,000	13.75%	" " " "
on \$2,000,000	31%	" " " "
on \$2,000,000	61.6755%	" " " "
Excess Profits Tax	Excess Profits Tax and War Profits Tax	Excess Profits Tax
Deduction Not for this tax	Not for this tax	Not for this tax
7% of capital \$3,000	8% of capital \$3,000 and a minimum War Profits credit of 10% of capital \$3,000	8% of capital \$3,000
Rate of this tax on income	30% 65%, or 80% of difference between net income and War Profits Credit, when this result is higher than Excess Profits Tax.	20% 40%

Example: Application of these taxes to a capital of \$100,000; income \$25,000.
Tax under 1917 law with highest exemption...\$3,600=14.4% of inc.
Lowest exemption...\$4,000=16% of inc.
\$9,100=36.4% of inc.
\$7,800=31.2% of inc.

III. Estate Tax: Same method and principle of taxation as in 1916 and 1917 but increased rates.

IV. Tax on Transportation and other facilities; and on Insurance Tax on Transportation same but other taxes increased.

V. Tax on Beverages: Rates of tax very greatly increased.

VI. Tax on Cigars, Tobacco and Manufactures of: Rates of tax very greatly increased.

VII. Tax on Admissions and Dues: Rates of tax largely increased.

VIII. Excise Taxes: Rates of Tax Increased and scope of tax enlarged.

IX. Special Taxes effective July 1, 1918: Capital Stock Tax—Method of computation changed and rate doubled. Proprietary Taxes—Rates of tax increased and scope of law enlarged.

X. Stamp Taxes: About the same as in 1917.

XI. Tax on employment of child labor: A new tax; 10% of net profits; special rule for calculation of net profits; special return required; return to be filed at same time as income tax returns; tax to be paid within 30 days after notice of assessment.

Much of the regulations under the previous revenue law has been written into the new revenue law.

Effective July 1, 1919, postage on first-class mail reverts to the pre-war rate of 2c per ounce or fraction thereof.

Export Associations.

The activity in the formation of Export Associations under the Webb-Pomerene Act indicates a greater interest in export trade than has ever been manifested before. The more important lines of manufactures are already represented by organizations which include leading concerns. Thus the new Consolidated Steel Corporation represents ten of the largest steel companies outside of the United States Steel Corporation, the latter having been long represented in export trade by the United States Steel Products Company. The companies now organized under the above name are the Bethlehem, Lackawanna, Midvale, Lukens, Republic, Sharon, Trumbull, Brier Hill, Youngstown and Whitaker-Glessner. No member is permitted to sell for export except through this organization or by its special agreement in writing. The general policy is that the members shall place ten per cent. of their product at the disposal of the export corporation.

The Textile Alliance Export Association is formed under the joint control of the American Association of Woollen and Worsted Manufacturers, the National Association of Woollen Manufacturers, the National Council of American Cotton Manufacturers, and the Association of Cotton Textile Manufacturers. This Export Association is formed to market the products of members of the four associations who subscribe to its stock, by a selling organization which will include permanent sales-rooms with exhibits of samples of goods in American and foreign cities, traveling sales promoters, campaign of education, etc.

The Copper Export Association is composed of fifteen producing companies. Every producer-member agrees to do all exporting through the Association, the latter fixing export prices, prorating allotment of sales in export according to a schedule of production adjusted yearly, the selling expenses of the Association being assessed in the same way.

The above associations are composed of members naturally competitive, but many of the others are composed of members who produced goods of allied lines, but not competing. Thus the International Paper Export Association has one maker of news print, one of writing paper, etc., making up in all a complete line of paper goods, with no competitors. The result aimed at in these cases is simply to reduce selling costs, and provide for more aggressive cultivation of the foreign field.

Foreign Criticism.

In some quarters abroad the criticism has been uttered that the policy of the Webb-Pomerene law is unethical in permitting combinations which may exploit customers abroad, when such combinations are forbidden at home. This is not a correct view of the purpose of the act. The first active advocates of the law were the copper

producers, who found themselves dealing with European buyers who combined in making purchases, thus avoiding competition among themselves, while the American producers were prevented by the American law from combining in dealing with them. The result of this situation was that foreign manufacturers of copper goods for years bought American copper at an average of about one-half cent per pound cheaper than American manufacturers, which was manifestly unfair to American interests.

Furthermore the Sherman law against combinations was intended for application in this market, where in many lines there was but little competition from outside. These Webb-Pomerene Associations are to operate in other countries where already, presumably, there are many active competitors. These combinations have no position of control or monopoly in foreign markets. On the contrary they are new competitors in fields where others are already well established. These markets which they are entering will have new competition by their coming, and it will be stronger and more effective competition than it would be if American companies were unable to unite for the purpose.

British Foreign Investments.

The annual meetings of British financial corporations, which are usually held in the month of January, have been of unusual interest this year, as it is customary for the presiding official to not only review the affairs of the corporation of which he is the directing head, but to discuss at some length the general financial situation and outlook for the country. The addresses recently made express the great sense of relief experienced in England over the successful termination of the war, and firm confidence in the ability of British industry and British trades to hold their own in the world competition which is to follow, but give frank recognition to the gravity of the labor situation confronting the country. Evidently the speakers rely upon the strong common-sense of the British working-class for an adjustment which will permit the country's industries to be operated.

At the meeting of the Metropolitan Trust Company, a corporation whose investments are mainly abroad, and largely in the United States, the Chairman, Mr. Robert Fleming, who is well-known in this country, discoursed in an interesting manner upon the useful part which England has played in the development of the world's resources, through capital investments in many countries. The subject is always an interesting one, and especially so at this time, for two reasons: First, because of the world-wide socialist propaganda, teaching that capital, capitalists and capitalistic enterprises are altogether superfluous and useless; and second, because, as the speaker prophesies, the United States probably is about to participate on a larger scale than heretofore in such foreign enterprises.

We venture the opinion that the investments which the United States will make abroad will neither reduce the present amount of such British investments nor lessen the opportunities for British investments in the future. The possibilities of increasing production from the resources of nature the world-around are limited only by the possibilities of increasing consumption, and who can look over the populations of the earth today with any anxiety about a general state of over-production? The whole world is clamoring for better living conditions, and the only way they can be provided is by increasing production through the accumulation and investment of capital. There is not the slightest ground for apprehension that production will outrun the wants of the people in any period that can now be foreseen. It is all a question of judicious and well-balanced development, and in order that development may be so directed it would seem to be desirable that American and British capital should co-operate in a friendly and effective manner.

Nor do we see that the heavy British taxation is likely to seriously curtail British investments, inasmuch as the proceeds of this taxation, for the most part, will be paid out to the holders of British Government securities, and be available in their hands for further use. Where holdings of government securities represent only capital transferred from other securities, the new taxation will indeed be burdensome, but the bulk of outstanding government securities, in England as here, probably represent accumulations since the war began, in which case the income from them may be counted as counterbalancing the new taxation.

Mr. Fleming's remarks are so well worthy of a reading in this country that we give them below:

The Investments: The United States A Creditor Country.

If you look at the report you will see the "Classification according to countries" of your investments. Our largest holding is still in the United States, and of this holding the bulk is lent to our own Government. The United States, owing to the war, has become a creditor country. It has more, much more, owing to it by other countries than it owes to them. For the past 46 years it has been my work to visit the States annually and to invest British money there. The probability now is that that business in its larger aspect has come to an end, and the greater likelihood is that America, if it is to collect the interest on the debt Europe owes to it, must invest money on this side. The rolling years bring wondrous changes. Having helped to build the railways and cultivate the wide spaces of the New World, we may have to turn our faces Eastward and redevel the Garden of Eden. Mesopotamia is a land that Western effort may cause to overflow with wheat and oil, if not with milk and honey. Africa is a continent as large as the United States of America, Mexico, Australia, and Europe put together, or, say, three times the size of the United States, and with only 30,000 miles of railway against their 260,000 miles. Farther East, Asia's teeming millions have scarcely begun to be reached by iron highways.

British Merchant Adventurers: War Taxation.

Our little island has always been in the van of enterprise abroad. Passing through the Royal Exchange the other day I noticed a brilliant fresco, "Philip the Good presenting the Charter to the Merchant Adventurers." More than 400 years have passed since then, but we have shown no falling off in the adventurous spirit. In the century which closed 19 years ago each decade saw new fields explored, new railways, harbours, tramways built, ocean cables laid, gas, water, and light provided, new mineral regions discovered and developed. Even since the opening of the 20th century what enormous amounts of the savings of our people have gone into two industries essentially new, but now important in the highest degree—Eastern rubber and oil; probably not less than £250,000,000! A continuance of this adventure of capital into an extension of the civilizing agencies of the world is essential to our continued prosperity. It is not enough that we sell coal and manufactured goods to buy food and raw materials. It is necessary that our home manufacturers should equip themselves with plant in all respects up to date and strengthen themselves financially for the peaceful struggle that must follow the war, and I am glad that they are doing so, and our own and other trust companies are helping substantially; but we must do more, and continue to export British capital and also the skilled British men who everywhere are placed in charge of British enterprises and help to raise our prestige throughout the world.

It is depressing to think that the taxation which the war will entail must have an evil effect on the continuance of our country as the favoured home of capital and of international enterprise, and no stone should be left unturned to reduce, if it be possible by appropriate legislation, this evil effect. I doubt if manufacturers and the public generally fully understand the importance of this matter. I noticed in the report of Mr. W. S. Barclay, who accompanied the recent Bunsen Mission to South America, this sentence under the section dealing with the Argentine: "Few realize how large a proportion of British imports to Argentina is due to the requirements of British-owned railways and kindred enterprises." The chairman of one of the British Argentine railways told me the other day that his company alone bought annually in peaceful times 350,000 tons of British coal.

The Importance of the Continued Export of Capital.

Without a continuance of the export of capital (and this really means mainly an export of manufactured goods and the employment of our ships) to sustain and extend these enterprises throughout the world, British trade cannot advance as it has done in the past. I do not suggest that we can immediately encourage investments abroad in the absolutely free and unrestricted manner of pre-war days. Then we financed not only our own trade, but that of our competitors. Finance and industry should go hand in hand, and manufacturers should so strengthen themselves, as they are doing, that they can bear their part in these overseas contracts. I am glad to see combinations among manufacturers, resulting in the ability to supply complete installations of electric enterprises. If this were followed up by the formation of a company to take the securities resulting from such new projects—just as the General Electric Company of America (which has a capital of over £20,000,000) formed the Electric Bond and Share Company, having a capital of over £3,000,000—a further advance would be made in the direction of practical results. The British Trade Corporation will doubtless fill a useful rôle in this direction, but it cannot be expected to be wet nurse for all the babies manufacturers will produce.

If we fail to continue expanding our overseas industrial possessions, America will take our place and industry at home will languish.

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